

Submission to the Not-for-profit Sector Tax Concession Working Group – 17th December, 2012

My submission is in response to Question 57. It raises questions to the fairness and equity of the exemption from tax to the provision of benefits provided to religious practitioners as employees of religious institutions under s57 of the Fringe Benefits Tax Assessment Act 1986 (FBTAA 86).

An internet search of guidelines for the remuneration of clergy or ministers by various church denominations reveals that the benchmark that they use for their recommendations is Average Weekly Earnings as published quarterly by the Australian Bureau of Statistics.

On its own, I believe this amount to be very reasonable and fair; and indeed it would be difficult to argue against an amount that is average when, historically speaking at least, clergy would surely be considered to be professionals.

However, when the hierarchy of these ecclesiastical institutions decree that their ministers can take fifty percent of their base salary as exempt benefits, as well as requiring the congregations that call them, to provide an above average house as a manse, their actual economic position on the income ladder rises significantly.

This calculation takes its figures from the *Queensland Baptists Ministerial Remuneration GUIDELINES For Registered Ministers* (see attachment) and the Income Tax Rates 2013 as published by the Australian Taxation Office.

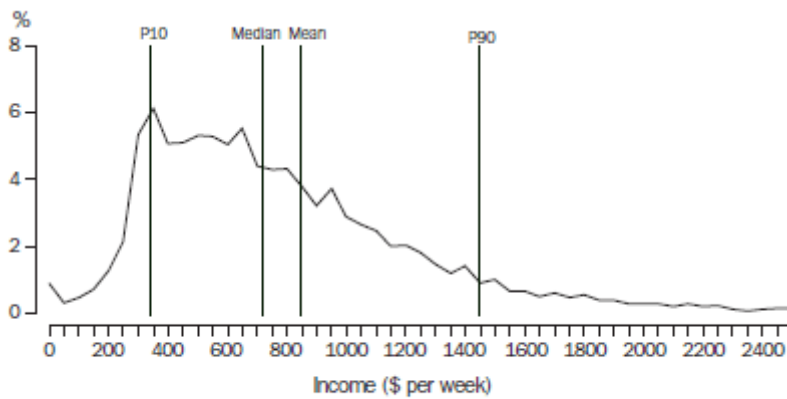
Component	Note	Per Week	Total p.a.	<i>After tax benefits expressed in dollars accruing to minister</i>	
				Tax payable	Net take home pay
Base - total p.a.		1,320.50	68,666		
Base - total p.a.	Senior Minister: + 10%	1,452.55	75,533		
Housing	Congregation owns manse	-220.00	-11,440		
		1,232.55	64,092.60		
Base - benefits (50%)	Tax exempt				32,046
Base - cash (50%)	Taxed at 2013 Rates			-2,631	29,415
Allowance - Housing	@ Market value	450	23,400		23,400
					<u>84,862</u>

But given that when salaries are quoted they are most generally understood to be expressed as **before tax** dollars, to be able to make a comparison what clergy are paid, it is necessary to **gross up** their after tax benefits (in dollar terms) for the laity to make a judgement as to the reasonableness and fairness of what their ministers being paid; and perhaps even to assess just how much over and above their tithes and offerings, that they as tax payers are contributing to support their welfare.

Gross taxable income required by an employee who obtains no such concessions:				115,570
		Less tax 2013 Rates		-30,708
		After tax earnings		84,862

This is equivalent to over \$2,200 per week; and when this is plotted on the graph below, those of us who occupy the pews on Sunday mornings would see that this posits their men and women of the cloth well and truly into the top ten percent of income earners.

S4. DISTRIBUTION OF EQUIVALISED DISPOSABLE HOUSEHOLD INCOME, 2009-10



Note: Persons with an income between \$25 and \$2,500 are shown in \$50 ranges on the graph

Australian Bureau of Statistics: 6523.0 - Household Income and Income Distribution, Australia, 2009-10

During my working life I have had considerable experience in taxation and how it applies to churches and their ministers. It seems that it has long been forgotten that these fringe benefits tax exemptions were primarily provided to reduce the employment costs of clergy and instead it is they who are the principal beneficiaries of these concessions.

Submission arguing for NFP tax reform by Peter Scott

One could be excused for thinking that the above was all that would be necessary to judge Section 57 of the FBTA 86 unfair. But for sake of simplicity I have not considered the following factors that only take the equivalent gross salary further and further up the ladder –

- Medicare Levy.
- Input Tax Credits on packaged benefits that are claimable by the church but generally accrue to the minister.
- Family Tax Benefits A.

Of course, these items depend on the minister's personal family situation but they are in no way insignificant because for each after tax dollar saved, to arrive at the before tax amount, the savings are grossed up by the applicable marginal tax rate which will be the highest one according to the equivalent grossed-up amount.

And yet there is even more. These items are difficult to quantify but the following perks and benefits can form part of a minister's remuneration package –

- New cars provided at considerable discount by manufacturers and turned over every twelve months or so.
- Financial gifts or 'love offerings' collected on the minister's behalf by churches and paid by way of their exempt benefit account.
- Work of a private or domestic nature done for them by their parishioners.

Therefore, I believe I could confidently assert that a knowing and reasonable person would judge all this as unfair and perhaps even untenable.

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